

Press Release
RAICHANDANI CONSTRUCTIONS
January 08, 2024
Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	80.00	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	80.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 80 Cr of Bank loan facilities of Raichandani Constructions. The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned takes into account the long standing experience and established track record of Raichandani group for more than 15 years in real estate business. The group has completed 75 projects with more than 4 million sq. ft. of area in residential, commercial and retail spaces in Hyderabad. Further, rating also draws comfort from the location advantage of the firm's current project located at Kokapet, Hyderabad with healthy sales and collection from customers. However, the rating is constrained by risks associated towards project completion as the construction is at a nascent stage and the firm's operations are also susceptible towards inherent cyclicalities in the real estate industry.

About the Company

Hyderabad based; M/s. Raichandani Constructions was established in 2012. The main activity of the Company is construction of residential and commercial projects. It is a partnership firm, with Mr. Deepak Raichandani, Mr. Prakashlal Raichandani and Mr. Hitesh Raichandani, as partners.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Raichandani Constructions to arrive at the rating.

Key Rating Drivers

Strengths

Experienced promoters, demonstrated track record in real estate business

Raichandani group is Hyderabad based commercial and real estate developer promoted by Mr. Deepak Raichandani, Mr. Prakashlal Raichandani and Mr. Hitesh Raichandani. The group

has more than 15 years of experience as real estate developer through various projects executed under the group. The Raichandani group is a well established brand name in

Hyderabad and has completed more than 4 million Sq.fts of residential and commercial projects. Currently, firm is engaged in development of commercial namely Patel towers at Nagole, Hyderabad, Raichandani one square at Suchitra, Hyderabad, Raichandani Galaxy at Madinaguda, Hyderabad and a residential project named as 'EKA one' near Kokatpet, Hyderabad. The project is being constructed on total land area of 1.34 acres comprising of 60 ultra-luxury units and being developed with joint development agreement with landlords. As per JDA firm is entitled for 36 units (60 percent) and balance 24 units are allotted to landlords. The project is located at Kokapet, a fast growing commercial and residential area in western Hyderabad. The location of the projects are very well developed both residentially and commercially with a lot of scope for further development. Commercial complexes, including supermarkets, schools, restaurants, hospitals, fitness centres and banks, are abundant in the closest vicinity of the proposed location.

Acuité believes that the promoters have demonstrated good execution capabilities with a reputation for quality and timely completion in the past. Promoters' industry experience is expected to support in a successful sale of the units in the on-going project.

Moderate Project risk

The ongoing project 'EKA one' has the total saleable area of 5,44,536 Sq fts, out of total saleable area RC's share is 3,14,018 Sq fts with the total project cost of Rs.221.72 Cr. The total project cost is funded through promotor's contribution of Rs.50 Cr, bank loan of Rs.80 Cr and balance through collections from customer advances. The promoters are high net worth individuals and promoter companies being debt-averse further mitigate the funding risk. The firm has incurred about 20 percent of project cost until september'2023 against which it has already received the bookings of 33 percent of total units and received customer advances of around 22 percent of the total sales consideration of Rs.98.45 Cr as on September 30th 2023.

Acuité believes that timely infusion of funds from promoters, timely funding of bank loan and receipt of customer advances will be a key monitorable.

Weaknesses

Completion Risk

The construction of the project started on October 2022 and it was launched in November 2023. The project is expected to get completed by August 2026. While there are inherent project risks as being in nascent stage of construction, the risk is mitigated to some extent as the group has established track record of completion of projects in timely manner. However, any delay in completion of the project may led to cost and time overruns which will remain a key rating sensitivity going ahead.

Susceptibility to Real Estate Cyclicity, Regulatory Risks and intense competition in the industry

The real estate industry in India is highly fragmented with most of the real estate developers, having a city specific or region-specific presence. The risks associated with real estate industry are cyclical in nature and directly linked to drop in property prices and interest rate risks, which could affect the operations. Given the high level of financial leverage, the high cost of borrowing prevents the real estate's developers' from significantly reducing prices to boost sales growth. Moreover, the industry is also exposed to certain regulatory risks linked to stamp duty and registration tax directly impacting the demand and thus the operating growth of real estate players. Furthermore, the group would continue to remain exposed to intense competition from larger players in Telangana like Jayabheri group, Aparna Constructions and estates Pvt Ltd, Prestige Group, My Home group, Kalpataru Group, mantra Group, Lodha group amongst others.

Rating Sensitivities

- Timely completion of the project development
- Timely sale of unsold inventory and realisation of its customer advances

- Healthy realization of customer advances pending from sold inventory
- Any Sharp decline in cash flow due to slower customer advances or delays in project execution

Liquidity Position: Adequate

Liquidity is aided by infusion from promoters, disbursement of bank loan and collection from customers. Moreover, liquidity can be further strengthened by collections from customers which stood at ~Rs.22.47 Cr during April – August 2023 period. The liquidity is also supported by the financial flexibility the firm receives from the promoters. The firm is expected to have adequate liquidity over the medium term with an expected DSCR of 4.98 times in a base case scenario

Outlook: Stable

Acuité believes that the RC will maintain 'Stable' business risk profile over the medium term on the back of experienced promoters and strong brand presence in the real estate industry. The outlook may be revised to 'Positive' in case of higher-than-expected advances from customers resulting in adequate cash flows for early completion of the project and prepaying the debt. Conversely, the outlook may be revised to 'Negative' in case of any undue delay in completion of the project, or less-than-expected bookings and advance leading to stretch on its liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	59.47	25.13
PAT	Rs. Cr.	1.38	0.56
PAT Margin	(%)	2.32	2.23
Total Debt/Tangible Net Worth	Times	0.91	1.43
PBDIT/Interest	Times	5.03	23.23

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Real Estate Entities: <https://www.acuite.in/view-rating-criteria-63.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
LIC Housing Finance Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	80.00	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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